

GUSTAVUS ADOLPHUS COLLEGE

POLICIES FOR A

COMPREHENSIVE FUNDRAISING CAMPAIGN

June 22, 2011

As Gustavus Adolphus College (the College) prepares to implement a long-term, intensive, comprehensive fundraising campaign, a number of policy matters will have to be approved by the Board of Trustees. The following statements specify how gifts might be credited toward the fundraising campaign objectives; the size of the gifts to be recognized in establishing named funds; and the allocation of gift income.

These policies and objectives are intended to guide College staff and volunteers in the cultivation, management, and acceptance of gifts to the campaign.

The responsibility of the College staff and volunteers is to inform, guide, and assist a donor in fulfilling his or her philanthropic wishes, but never to improperly influence such a decision. The College encourages potential donors to consult with an attorney, tax advisor, and/or tax preparer with questions regarding any aspect of their gifts.

The College will accept unrestricted and restricted gifts that are consistent with its stated mission, purposes, and priorities. The College reserves the right to decline gifts that are not in the furtherance of its purposes, mission, or priorities; gifts that are likely to generate little or no financial gain; gifts that might inhibit future gifts; and/or gifts that cause the College to violate legal or ethical principles.

At all times the College will work with donors to honor their philanthropic priorities at the College, as well as live up to the highest ethical standards in our industry. Furthermore, all members of the Institutional Advancement staff will abide by the Principles of Practice for Fund-Raising Professionals at Educational Institutions, approved by the CASE Board of Trustees. **(Appendix A)**

The College carefully stewards donors and gifts to the College, abiding by the industry-standard **Donor Bill of Rights** (**Appendix B**). The Donor Bill of Rights was created by the American Association of Fund Raising Counsel, Association for the Healthcare Philanthropy, the Association of Fundraising Professional, and the Council for the Advancement and Support of Education, and is endorsed by numerous organizations.

General Policies

1. All gifts, grants, estate notes, pledges, and other written commitments toward the fundraising campaign objectives shall be counted toward the achievement of the campaign's total goals. **(June 1, 2008 through May 31, 2015)**
2. The campaign pledge total will be the combined sum of all commitments to the college during the campaign period. Valuations of various commitments are outlined in the giving chart (page 4).
3. No agreement shall be presented to, urged upon, or entered into with a donor, which knowingly benefits the College to the detriment of the donor. Subject to reasonable protection of the College's interests, the rights and interests of the donor will always come first. Representatives of the College, in communicating with prospective donors shall exercise caution in urging the donor to take action. Each representative is obligated, before a gift is made, to provide the donor with as much information as possible regarding the benefits, limitations, and tax implications with respect to the agreement, preferably in writing.
4. It shall be the policy of the institution to apply all unrestricted gifts in the amount of \$25,000 or more from unrestricted bequests and from matured deferred gifts to the College's fund's functioning as endowment or for physical plant improvements, unless otherwise authorized by the Board of Trustees. All unrestricted bequests or unrestricted estate gifts under \$25,000 shall be included in the Gustavus Annual Fund.
5. Gifts for an endowment for specific restricted purposes must equal the amount of the capital required to produce annual income adequate to fulfill the donor(s) purposes over an indefinite period of time. To help assure the integrity of such endowment funds, a substantial portion of the fund income should be returned to the principal of the fund rather than expended. Therefore, calculations to determine the amounts necessary to endow particular purposes will normally assume a "spendable" income return of four and one half percent, with the balance being reinvested to perpetuate the fund.
6. Gifts to establish named endowment funds will vary according to the purpose of the fund but shall in no case be in an amount of less than \$25,000. The names of such funds shall be listed regularly in the official publications of the College.
7. Gifts to the institution shall be reported in a manner consistent with the standards recommended by the joint Council for Advancement and Support of Education (CASE) and the National Association of College and University Business Officers (NACUBO) committee's report on "Gift Reporting Standards and Management Reports for Educational Institutions."

8. The legal documents prepared for the use of the College in support of its institutional advancement program will first be reviewed and approved by the College's attorneys and will be in full compliance with IRS regulations. The College's representative will urge every prospective donor to have a similar review performed by the donor's attorney and to seek counsel in matters relating to taxes and estate planning.
9. All gifts from living donors to an endowed (minimum of \$25,000) or capital purpose will be documented through a properly executed gift agreement. The President of the College and the chief financial officer have the authority to sign gift agreements on behalf of the College. The gift agreement will describe the gift and provide a name for the fund created by the gift. The gift agreement will provide the College with any specific guidelines for use of the gift, based upon criteria provided by the donor. The gift agreement will include a change of purpose clause to provide the College ultimate flexibility in rare circumstances.
10. The College will not under any circumstance knowingly or through negligence be a party to inflating the value of a gift above the true fair market value to obtain a tax advantage for a donor.
11. All information obtained from or about donors or prospective donors shall be held in strictest confidence by the College.
12. The College will abide by IRS Publication 526 (**Appendix C**) in determining the date upon which a gift has been made.
13. The College recognizes that the accurate and timely processing of gifts is important to both the donor and to the College. The College records gift and commitment receivables in accordance with Financial Accounting Standards Board (FASB) Rules 116 and 117. The Director of Advancement Services assumes primary responsibility to ensure gifts and commitments are recorded correctly.
14. The College promptly provides a gift receipt in accordance with IRS regulations. The donor is informed of any quid pro quo arrangements in the gift transaction, if applicable.
15. The Board of Trustees shall periodically review and approve schedules of purposes and projects, together with specified gift amounts, through which donors may create named funds or facilities.

Proposed Standards for Reporting Types of Gifts and Pledges to the Gustavus Campaign

GIFT TYPE	NOTES	CAMPAIGN TOTAL
		FACE VALUE
PLEDGE AND PLEDGE PAYMENTS	<ul style="list-style-type: none"> •Must be in writing • Specific dollar amount •Fixed time schedule •Not to exceed 5 years 	<ul style="list-style-type: none"> •Pledges counted at 100% •Pledge payments not counted •Pledge payments made on pledges prior to campaign start date not counted
CASH, CHECKS, CREDIT CARDS	100%	Amount received
MARKETABLE SECURITIES	Average of high and low on gift date	Fair Market Value
CLOSELY HELD STOCK	<ul style="list-style-type: none"> •Fair market value •Appraisal needed if greater than \$10,000 	Fair Market Value
REAL PROPERTY	Appraised value determines Fair Market Value	Fair Market Value
PERSONAL PROPERTY	Fair Market Value (Donor may be limited to lesser of cost or fair market value; appraisal needed if greater than \$5,000)	Fair Market Value
CHARITABLE GIFT ANNUITY	Value based on funding asset	Fair Market Value
CHARITABLE REMAINDER TRUST (CRUT/CRAT)	Value based on funding asset	Fair Market Value
CHARITABLE LEAD TRUST		Fair Market Value
LIFE ESTATES	Appraised value determines Fair Market Value	Fair Market Value
REALIZED BEQUESTS AND OTHER TESTAMENTARY DISTRIBUTIONS		Amount received
TESTAMENTARY INTENTIONS	Face Value	Face Value
GIFTS-IN-KIND	Estimated value except services not counted	Fair Market Value
LIFE INSURANCE <i>(Gustavus is owner and beneficiary)</i>		
	<i>Paid-up life insurance policy</i>	Face Value
	<i>Existing policies not fully paid up</i>	Face Value
	<i>New policies</i>	Face Value
	<i>Realized Death Benefit</i>	Cash Settlement Amount (if not counted in previous campaign)
LIFE INSURANCE <i>(Gustavus is beneficiary, but not owner)</i>		Death Benefit

1. **Cash, Checks, Credit Cards:** The College will accept gifts of cash (currency) and cash equivalents (including checks, money orders, credit card or electronic transfers, wire transfers, and payroll deductions). The College will also accept gifts in foreign currencies, and will be responsible for any exchange fees resulting therein.
2. **Marketable Securities:** The College may accept gifts of readily marketable securities (including mutual funds and government securities) that are traded on any recognized stock exchange. The College encourages electronic transfers whenever possible. In certain circumstances, the transfer or disposal of publicly traded securities may be restricted by applicable securities laws; in such cases, the Vice President for Institutional Advancement in consultation with the President or Vice President for Finance shall determine whether the College will accept the securities. The College reserves the right to sell gifted securities upon or at any time after receipt.
3. **Closely Held Stock:** The College may accept gifts of closely held securities, including debt and equity positions in non-publicly traded companies, interests in general and limited partnerships, and interests in limited liability companies and similar entities, subject to the approval of the Vice President for Institutional Advancement in consultation with the President or Vice President for Finance. Such gifts generally will not be approved if the securities are likely to generate unfavorable tax or financial consequences (including a likely inability to convert the securities to cash within a reasonable timeframe) for the College. The College reserves the right to sell or otherwise dispose of gifted securities upon or at any time after receipt.
4. **Real Property:** The College may accept gifts of real estate, including residential, commercial, and undeveloped property, upon recommendation of the Vice President for Institutional Advancement in consultation with the President and/or Vice President for Finance, with the approval of the President. In evaluating such gifts, the President may require that a member of the Board of Trustees or their designee conduct a site visit. Unless otherwise agreed prior to approval of the gift, contributions of real estate generally will not be approved if the property is encumbered by a mortgage or similar debt, if the donor cannot provide clear title, if the property is subject to significant carrying costs (such as maintenance or taxes), or if the property shows signs of environmental damage.

To determine the existence of environmental damage, the College will require the donor to provide a formal environmental site assessment (Phase I and/or Phase II) prepared by a qualified engineering or environmental firm. Any environmental damage confirmed as a result of such assessment must be remediated and certified as such by the appropriate governmental authority, again at the donor's expense, prior to approval of the gift.

Unless otherwise agreed prior to approval of the gift, The College reserves the right to sell or otherwise dispose of gifted real estate upon or at any time after receipt. The College also reserves the right to develop the real estate in any way it deems appropriate to further the goals of the College.

The College may accept oil, gas, and mineral property interests, when appropriate. Prior to acceptance of oil, gas, or mineral interests, the gift should be reviewed by the Vice President for Institutional Advancement in consultation with the President or Vice President for Finance, and approved by the President. The property should undergo an environmental review at the donor's expense to ensure that the College has no current or potential exposure to environmental liability. Such gifts should not have extended liabilities or other considerations that make the gift inappropriate. A working interest may only be accepted when there is a plan to minimize potential liability and tax consequences.

5. **Personal Property:** At the discretion of the Vice President for Institutional Advancement in consultation with the President and/or Vice President for Finance, the College may accept gifts of tangible personal property. Factors affecting the evaluation of such gifts include the extent to which the property relates to Gustavus's educational purposes, the marketability of the property, the carrying costs of the property (such as transportation, storage, maintenance, and insurance), and the effect of any existing or proposed restrictions on the use, display, or disposition of the property. Unless otherwise agreed prior to approval the gift and unless the gifted assets are directly related to Gustavus's education purposes, the College reserves the right to sell or otherwise dispose of the gifted tangible property upon or at any time after its receipt.

Proposed gifts of tangible personal property, such as objects of art, jewelry, antiques or other collectable items, shall be accompanied by a statement of provenance and a full description of the property to be offered to the College. A current qualified independent appraisal of the property must be made available prior to the College's acceptance of such gifts. Obtaining an appraisal and any related expenses are the responsibility of the donor of the property.

6. **Charitable Gift Annuity:** Gift annuities involve the promise by the College, given in exchange for money or other property, to pay a fixed sum, effective from the date of the gift, to the annuitant(s) for life. Gift annuities are backed by the full faith and credit of the College.
 - a. Minimum gift of \$10,000 in one sum. There is no stated maximum amount.
 - b. Minimum age of beneficiaries – 50.
 - c. The uniform annuity rates suggested by the American Council on Gift Annuities will be viewed as guidelines. Payments will be made quarterly.
 - d. If appreciated property is offered by the donor, the Gift Planning representative must inform the donor what portion of the gain is taxable to him before the agreement is signed.

Annuity contracts will not be written in exchange for real property except in cases which are specifically approved by the President or vice president for finance.

Deferred Payment Gift Annuities: The same obligation as the gift annuity above, but the initial life income payment is delayed by one year or more to allow the annuitant to realize a more favorable tax and income advantage.

- a. Minimum gift of \$10,000.

- b. Minimum age of beneficiary – 35 for funding, with payments to start when annuitant(s) are at least 50.
 - c. The uniform annuity rates suggested by the American Council on Gift Annuities will be viewed as guidelines.
7. **Charitable Remainder Trusts (CRUT) – Charitable Annuity Trusts (CRAT):** Trusts that qualify, under statutory and regulatory requirements, as tax-exempt legal entities. The donor can design the trust and decide the trust’s payout percentage. The charitable remainder unitrust (straight) pays the life income payments to the beneficiary based on an annual valuation of the trust assets. Payments to the beneficiaries are calculated as a percentage of the fair market value of the trust and changed each year as trust assets increase or decrease in value. Net income unitrusts with make-up provisions are similar to the straight unitrust above, except if actual net income earned is less than the specified percentage, only the net income is paid out. Any amount due, but not paid, is credited to the beneficiary and will be paid out in future years, if net income exceeds the specified percentage. The net income only unitrust pays out income and does not “accrue” shortfalls in payout in years of insufficient income. The “flip” unitrust is available for use with illiquid assets (closely held stock, non-income producing real estate, etc.), and the “flip” unitrust will change from a net-income unitrust (with or without “make-up”) to a straight unitrust. The charitable remainder annuity trust pays out a fixed dollar amount, set at the inception of the trust, regardless of the income earned by the trust.
- a. Minimum recommended gift of \$100,000. Additions to the unitrusts are permissible; however, they should be at least \$10,000.
 - b. Minimum age of beneficiaries – 50. Consideration could be given to younger beneficiaries if the assets are such that the remainder is likely to be substantial. If the trust is for a term of years, the maximum term shall not exceed 20 years.
 - c. The minimums set forth in (a) and (b) above apply where there is one beneficiary. If there are two beneficiaries, the minimum amount and/or the minimum ages will be determined by the younger beneficiary. Usually no more than two beneficiaries will be allowed.
 - d. Payout rates are required by law to be a minimum of 5%. Beyond that, rates are determined between the College and the donor. The payout rate is one of the components to consider when striking a balance among the size of the gift, the ages of the beneficiaries, and the size of the remainder interest.
 - e. Payments will generally be made quarterly.
 - f. When a trust is funded with “hard-to-value” or non-income producing property, e.g., real estate or securities for which there may be no immediate market, a net income only “flip” unitrust will be used.
 - g. The College will agree to be trustee on a trust as long as it is the irrevocable remainderman for at least 50% of the assets and all the above criteria also apply.
8. **Charitable Lead Trusts:** A trust that pays out income to the College for a specified term of years. At the end of the term, the trust assets revert to the donor or the donor’s heirs or another non-charitable remainderman. The donor can set up the trust in unitrust or annuity trust form, and decide the trust percentage and the length of term.
- a. Minimum principal amount of \$100,000.

9. **Life Estates:** The conveyance, not in trust, of such property by which the donor retains a life tenancy in the property, and can realize a significant income tax deduction without having to part with income-producing assets.
10. **Realized Bequests and other Testamentary Distributions.** All bequests realized during the defined duration of the campaign should be counted at full value in campaign totals so long as no gift amount was counted in a previous campaign.
11. **Testamentary Intentions.** Testamentary pledge commitments in campaign totals should satisfy the following three requirements:
- credit commitments that have a specified amount or percentage of the estate stated in the will based on a credible estimate of the future value of the estate at the time the commitment is made;
 - have verification of the commitment in one of the following forms: a letter from the donor or the donor's attorney affirming the commitment and stating that the institution will be informed of any changes in the will that might be made in the future; or,
 - The amount specified or estimated should be reported at both the discounted present value and at face value in the deferred/future commitments portion of campaign reports.
12. **Gifts in Kind:** Any proposed gifts not described above must be approved by the vice president for institutional advancement, in consultation with the President or vice president for finance. Factors affecting the evaluation of such gifts include the extent to which the gift (or any sales proceeds thereof) could be used for the College's educational purposes, the marketability and/or carrying costs of the gift, and any legal, financial, or other risks related to the gift. Unless otherwise agreed prior to the approval of any such gift, the College reserves the right to sell or otherwise dispose of the gifted asset upon or at any time after receipt.
13. **Life Insurance:** Gifts of life insurance are included when the College is made the owner and irrevocable beneficiary of the policy, with the exception of realized death benefits.
- Paid-up Life Insurance Policy.*** Paid-up life insurance policies will be credited at the death benefit value, counted at both the face value.
 - Existing Policies Not Fully Paid Up.*** A life insurance policy that is not fully paid up on the date of contribution, which is given to the institution during the period of the campaign, should be counted at face value.
 - New Policies.*** The face value on policies for which donors apply and contribute to the institution during the period of the campaign should be counted in the current gifts and pledges in campaign totals.
 - Realized Death Benefit.*** The insurance company's settlement amount for an insurance policy whose death benefit is realized during the campaign period, whether the policy is owned by the institution or not, should be counted in campaign totals, provided no gift amount was counted in a previous campaign.

Non-Government Grants and Contracts

Grant income from private, non-government sources should be reported; *contract revenue should be excluded*. The difference between a private grant and contract should be judged on the basis of the intention of the awarding agency and the legal obligation incurred by an institution in accepting the award. A grant, like a gift, is bestowed voluntarily and without expectation of any tangible compensation. It is donative in nature. A contract carries an explicit “quid pro quo” relationship between the source and the institution.

Government Grants

While not private gifts, funds awarded to institutions by government entities are very important to helping institutions achieve their strategic goals. They often are secured competitively with the help of fundraising staff and they may be specifically intended to leverage private gifts.

However, by its very nature, government funding differs fundamentally from private philanthropy and so government funds will not be included in campaign reports where their omission is required.

Where competitively awarded government grants support campaign and Commission Gustavus 150 priorities, the College will recognize government support and encourage public-private partnership in that support the College’s priorities.

Special Circumstances

If a deferred gift by bequest, life insurance, trust, or gift annuity has been counted for the campaign as a future commitment and the life income recipient (for gift annuities, and charitable remainder trusts), the insured (on a life insurance policy), or the testator (of a bequest) dies within the reporting period for the campaign, resulting in the institution receiving the gift in full, the institution may revise its crediting of the gift to reflect that the gift is fully paid.

Appendix A

Principles of Practice for Fund-Raising Professional

Philanthropy is a voluntary exchange in which the values and aspirations of donors are matched with the values and aspirations of those they benefit.

Educational fund-raising professionals work on behalf of those served by their institutions during this exchange of values and represent their universities, colleges and schools to donors, volunteers, and the larger public. In doing so, they also represent the integrity of the institution and of the fund-raising profession. They must, in discharging responsibilities, observe and promote the highest standards of personal and professional conduct and continually strive to increase their knowledge of the profession.

These ethical principles go hand-in-hand with the expectation that educational fund-raising professionals are expected to comply with the letter and the spirit of the all laws relevant to charitable giving.

Appendix B

A DONOR'S BILL OF RIGHTS

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes that they are asked to support, we declare that all donors have these rights:

1. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
2. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
3. To have access to the organization's most recent financial statements.
4. To be assured their gifts will be used for the purposes for which they were given.
5. To receive appropriate acknowledgment and recognition.
6. To be assured that information about their donation is handled with respect and confidentiality to the extent provided by law.
7. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
8. To be informed whether those seeking donations are volunteers, employees of the organization, or hired solicitors.
9. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
10. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

Appendix C

WHEN TO DEDUCT (From IRS Pub 526)

You can deduct your contributions only in the year you actually make them in cash or other property (or in a succeeding carryover year, as explained under *How to Figure Your Deduction When Limits Apply*). This applies whether you use the cash or an accrual method of accounting.

Time of making contribution. Usually, you make a contribution at the time of its unconditional delivery.

Checks. A check that you mail to a charity is considered delivered on the date you mail it.

Credit Card. Contributions charged on your bank credit card are deductible in the year you make the charge.

Pay-by-phone account. If you use a pay-by-phone account, the date you make a contribution is the date the financial institution pays the amount. This date should be shown on the statement the financial institution sends to you.

Stock certificate. The gift to a charity of a properly endorsed stock certificate is completed on the date of mailing or other delivery to the charity or to the charity's agent. However, if you give a stock certificate to your agent or to the issuing corporation for transfer to the name of the charity, your gift is not completed until the date the stock is transferred on the books of the corporation.

Promissory note. If you issue and deliver a promissory note to a charitable organization as a contribution, it is not a contribution until you make the note payments.

Option. If you grant an option to buy real property at a bargain price to a charitable organization, you cannot take a deduction until the organization exercises the option.

Borrowed funds. If you make a contribution with borrowed funds, you can deduct the contribution in the year you make it, regardless of when you repay the loan.

Conditional gift. If your contribution is a conditional gift that depends on a future act or event that may not take place, you cannot take a deduction. But if there is only a negligible chance that the act or event will not take place, you can take a deduction. If your contribution would be undone by a later act or event, you cannot take a deduction. But if there is only a negligible chance that act or event will take place, you can take a deduction.

Funding and Recognition Levels

From time to time the Vice President for Institutional Advancement will recommend to the Institutional Advancement Committee changes to current funding and recognition levels. Recommendations for change will be derived from assessments of national economic conditions, College budget needs, prevailing funding levels among peer institutions, and likelihood of development success with new funding levels.

The following funding levels reflect standard College current gift opportunities:

Endowed Chairs

- | | |
|-----------------------------------|-------------|
| • Distinguished Endowed Chair | \$3,000,000 |
| • Endowed Chair of Discipline | \$2,000,000 |
| • Endowed Professor of Discipline | \$1,000,000 |

Endowed Scholarship/Program Fund

- | | |
|-----------------------------|----------|
| • Merit or Need-Based Award | \$25,000 |
|-----------------------------|----------|

Annual Budget-Relieving Scholarships

- | | |
|-----------------------|---------|
| • Partial Scholarship | \$5,000 |
|-----------------------|---------|

Founders Society

The College recognizes those individuals and organization whose lifetime giving has exceeded \$120,000 or more (the current cost of a four-year the College education). Visionary leaders founded the school, sought its permanent home, and committed themselves to building the reputation and success for which we give thanks. The Founders Society expresses the gratitude of the College for those individuals and organizations whose financial gifts have made a significant difference as the College advances the dreams and hopes of its early founders. In honor of their giving, the College honors these members through a biennial Founders Society gathering at which we recognize and honor their commitment and support.

Membership Levels

Wahlstrom Legacy	\$10,000,000 or more
Nyquist Legacy	\$5,000,000-\$9,999,999
Lagerstrom Legacy	\$2,500,000-\$4,999,999
Thorson-Nelson Legacy	\$1,000,000-\$2,499,999
Jackson Legacy	\$500,000-\$999,999
Magny Legacy	\$250,000-\$499,999
Norelius Legacy	\$120,000-\$249,999

Individuals and organizations qualify for membership by giving gifts in the form of cash, securities, or real estate, or when irrevocable charitable gift annuities, charitable remainder trusts, pooled income funds, or insurance policies are given to the College. The estate of an individual may qualify when a posthumous gift is received by the College.

Gustavus Heritage Partnership

The Gustavus Heritage Partnership was established in 1988 to thank and recognize alumni and friends who have included the College in their estate plans or have given a gift that will last into perpetuity. We believe those who make provisions for future gifts deserve to be recognized and thanked during their lifetimes.